

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 NEA-11 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00

XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 SCI-06

FEA-02 INT-08 IO-14 AF-10 AGR-20 DOTE-00 DRC-01 /248 W

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R 241100Z JAN 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 2898

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY TEHRAN

AMEMBASSY BEIRUT

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L ROME 1064

E.O. 11652 GDS

TAGS: ENRG PFOR XF IT

SUBJECT: ITALIAN INITIATIVES ON MIDEAST OIL FRONT

BEIRUT PASS USINT DAMASCUS

1. BEGIN SUMMARY: INTENSE SCHEDULE OF VISITS BY GOI OFFICIALS
TO MID EAST OIL PRODUCING CAPITALS IS CLEAR SIGN OF ITALIAN
DIPLOMATIC INITIATIVE TO REACH BILATERAL AGREEMENTS IN WAKE OF
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WELL PUBLICIZED FRENCH, BRITISH AND GERMAN EFFORTS TO LINE UP

OIL. GOI IS PRESENTLY COUNTING ON TWO DEALS, ONE ALREADY REACHED IN SUBSTANCE WITH IRAQ FOR EXPANSION OF 1972 3,8-INOC 10 YEAR 20 MILLION TON CRUDE BARTER AGREEMENT, AND THE OTHER A SHORT-TERM OIL FOR GOODS DEAL WITH SAUDI ARABIA, HOPEFULLY ON THE OCCASION OF UPCOMING VISIT OF FOREIGN MINISTER MORO. END SUMMARY.

2. IN WAKE OF RECENT VISIT TO ITALY OF ARAB OIL EMISSARIES YAMANI AND ABDESSALEM (ROME 0660 NOTAL), GOI HAS MOBILIZED ITS FORCES TO NEGOTIATE SEVERAL BILATERAL OIL DEALS TO HELP ASSURE FUTURE CRUDE SUPPLY, WHILE AT SAME TIME SUPPORTING PROGRESS WITHIN EC ON COMMON ENERGY POLICY AS WELL AS US CALL FOR FEBRUARY 11 ENERGY CONFERENCE. EXAMPLE OF REPORTED FRENCH, BRITISH AND GERMAN UNDERTAKINGS HAS CLEARLY PUSHED ITALIANS TO ACCELERATE THEIR DIPLOMATIC INITIATIVES. THEY ARE COUNTING UPON JANUARY 23 MID EAST STATEMENT BY FOREIGN MINISTER MORO (ROME 1058), TO IMPROVE CLIMATE AND CLEAR WAY FOR SUCCESSFUL CONCLUSION OF NEGOTIATIONS WITH SAUDIS FOR THREE YEAR OIL PURCHASE AGREEMENT.

3. RECENT VISIT OF UNDER SECRETARY OF FOREIGN AFFAIRS BENSI TO IRAQ AND SYRIA APPEAR TO HAVE YIELDED PROMISING RESULTS. ITALIANS SIGNED WITH IRAQ A DECLARATION OF INTENT WHICH EXPECTED TO EXPAND CONSIDERABLY THE MARCH 1972 ENI-INOC 10 YEAR 20 MILLION TON CRUDE OIL FOR GOODS AND TECHNOLOGY AGREEMENT. ENI EXPECTS TO TAKE 4 MILLION TONS OF IRAQ'S CRUDE IN 1974, AND INCREASING AMOUNTS SUBSEQUENTLY IN RETURN FOR ITALIAN SUPPLY OF GOODS AND TECHNOLOGY. MFA OFFICIAL RESPONSIBLE FOR MID EAST ECONOMIC AFFAIRS (ATTOLICO) INFORMS US THAT GOI OPTIMISTIC ABOUT PROSPECTS FOR COOPERATION WITH IRAQ, GIVEN ITS STRONG COMMITMENT TO DEVELOPMENT. ITALIAN COMMISSION EXPECTED TO GO TO BAGHDAD IN NEAR FUTURE TO ESTABLISH FRAMEWORK FOR PROJECTS IN VARIOUS SECTORS. IRAQIS HAVE EXPRESSED PARTICULAR INTEREST IN AGRICULTURE (IRRIGATION AND DESALINIZATION), DAMS, ROADS, BRIDGE AND RAILWAYS, AND PETROCHEMICAL, STEEL AND METALLURGICAL SECTORS. ITALIANS HOPE TO BRING TOGETHER BOTH PUBLIC (IRI, ENI) AND PRIVATE SECTOR OPERATORS SUCH AS FIAT IN IRAQI DEVELOPMENT PLANS. ATTOLICO STATED THAT RECENT DISCUSSIONS POINTED UP STRONG IRAQI CONCERN IN ASSURING GREATEST POSSIBLE DIVERSIFICATION OF OUTLETS FOR ITS GROWING OIL PRODUCTION -- I.E., PERSIAN GULF, EASTERN MED AND POSSIBLY A CRUDE PIPELINE VIA TURKEY, GREECE, YUGOSLAVIA INTO WESTERN EUROPE. ATTOLICO NOTED THAT QUESTION OF MODALITY AND EXTENT OF ITALIAN FINANCING CONFIDENTIAL

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AMBITIOUS IRAQI PROJECTS REMAINS TO BE RESOLVED. NEVERTHELESS, HE APPEARED ENCOURAGED REGARDING PROSPECTS FOR MUTUALLY BENEFICIAL DEALINGS WITH IRAQIS WHO ITALIANS FEEL OFFER CONSIDERABLY MORE THAN EITHER SAUDIS OR IRANIANS WHOSE PRINCIPAL OBJECTIVE IS MONEY FOR OIL.

3. ATTOLICO DESCRIBED BENSI VISIT TO DAMASCUS AS MAINLY POLITICAL, WITH SYMBOLIC AGREEMENT IN PRINCIPLE TO NEGOTIATE A NEW

ECONOMIC/TECHNICAL COOPERATION AGREEMENT. SYRIANS REPORTEDLY ASKED FOR ITALIAN FINANCING FOR RECONSTRUCTION OF DAMAGED HOMS REFINERY, ALTHOUGH ITALIANS MADE NO COMMITMENT. PRESS REPORTS, FURTHER, THAT SYRIANS EXPRESSED INTEREST IN CONSTRUCTION BY ENI OF 4 MILLION TON \$150 MILLION REFINERY AT TARTUS AND DOUBLING OF ENI-BUILT KARASHOUK - TARTUS OIL PIPELINE.

4. REGARDING UPCOMING TRIP OF FOREIGN MINISTER MORO TO SAUDI ARABIA, KUWAIT AND IRAN (ROME 0476 NOTAL), ATTOLICO EXPECTED CONCRETE RESULTS ONLY FROM SAUDI PORTION. GOI HAS PROPOSED TO SAUDI'S A 3-YEAR 20 MILLION TON BARTER AGREEMENT (SOMEWHAT SMALLER THAN RECENT FRENCH-SAUDI DEAL), BUT IS UNCERTAIN WHETHER SUCH QUANTITY SAUDI CRUDE AVAILABLE. ITALIANS EXPECT THAT AN AGREEMENT OF SOME TYPE WILL BE CONCLUDED DURING MORO VISIT, NOW THAT PRECONDITION OF SATISFACTORY MID EAST STATEMENT INSISTED UPON DURING YAMANI VISIT HERE AND SUBSEQUENT VISIT OF PRESIDENT LEONE'S DIPLOMATIC ADVISER SENSI TO RIYAD APPEARS TO HAVE BEEN FULFILLED. SIZE OF AGREEMENT WILL DEPEND UPON BOTH AMOUNT OF SAUDI CRUDE AVAILABLE AND QUANTITY OF ITALIAN GOODS AND TECHNOLOGY SAUDIS WILLING TO TAKE.

5. ATTOLICO REPORTS THAT MORO VISITS TO KUWAIT AND IRAN NOT EXPECTED TO YIELD ANY OIL AGREEMENTS. HE NOTED THAT KUWAIT AND IRAN HAVE BEEN IN RECENT CONTACT WITH ENI, BUT REPORTEDLY TO PROBE ENI INTEREST IN UPCOMING CRUDE OIL AUCTIONS (KUWAIT 0288). ITALIANS AWARE THAT KUWAITS NEEDS FOR EQUIPMENT AND TECHNOLOGY RELATIVELY LIMITED, THUS PRECLUDING THE POSSIBILITY OF IRAQI TYPE BARTER ARRANGEMENTS. ATTOLICO HAS SUGGESTED TO MORO THAT HIS KUWAIT VISIT BE FOLLOWED UP BY THAT OF HIGH LEVEL GOI MONETARY OFFICIAL SUCH AS CARLI TO DISCUSS FINANCIAL ASPECTS OF OIL SITUATION.VOLPE

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